

Part 6 Dissociation

48-2e-601 Dissociation as limited partner.

- (1) A person does not have a right to dissociate as a limited partner before the completion of the winding up of the limited partnership.
- (2) A person is dissociated as a limited partner when:
 - (a) the limited partnership has notice of the person's express will to withdraw as a limited partner, but, if the person specified a withdrawal date later than the date the limited partnership had notice, on that later date;
 - (b) an event stated in the partnership agreement as causing the person's dissociation as a limited partner occurs;
 - (c) the person is expelled as a limited partner pursuant to the partnership agreement;
 - (d) the person is expelled as a limited partner by the unanimous vote or consent of the other partners if:
 - (i) it is unlawful to carry on the limited partnership's activities and affairs with the person as a limited partner;
 - (ii) there has been a transfer of all of the person's transferable interest in the limited partnership, other than:
 - (A) a transfer for security purposes; or
 - (B) a charging order in effect under Section 48-2e-703 which has not been foreclosed;
 - (iii) the person is a corporation and:
 - (A) the limited partnership notifies the person that it will be expelled as a limited partner because the person has filed a statement of dissolution or the equivalent, its charter has been revoked, or its right to conduct business has been suspended by the jurisdiction of its incorporation; and
 - (B) not later than 90 days after the notification the statement of dissolution or the equivalent has not been revoked or its charter or right to conduct business has not been reinstated; or
 - (iv) the person is an unincorporated entity that has been dissolved and whose business is being wound up;
 - (e) on application by the limited partnership, the person is expelled as a limited partner by judicial order because the person:
 - (i) has engaged or is engaging in wrongful conduct that has affected adversely and materially, or will affect adversely and materially, the limited partnership's activities and affairs;
 - (ii) has committed willfully or persistently, or is committing willfully or persistently, a material breach of the partnership agreement or the contractual obligation of good faith and fair dealing under Subsection 48-2e-305(1); or
 - (iii) has engaged or is engaging in conduct relating to the limited partnership's activities and affairs which makes it not reasonably practicable to carry on the activities and affairs with the person as a limited partner;
 - (f) in the case of a person who is an individual, the individual dies;
 - (g) in the case of a person that is a testamentary or inter vivos trust or is acting as a limited partner by virtue of being a trustee of such a trust, the trust's entire transferable interest in the limited partnership is distributed;

- (h) in the case of a person that is an estate or is acting as a limited partner by virtue of being a personal representative of an estate, the estate's entire transferable interest in the limited partnership is distributed;
- (i) in the case of a person that is not an individual, corporation, unincorporated entity, trust, or estate, the existence of the person terminates;
- (j) the limited partnership participates in a merger under Part 11, Merger, Interest Exchange, Conversion, and Domestication, and:
 - (i) the limited partnership is not the surviving entity; or
 - (ii) otherwise as a result of the merger, the person ceases to be a limited partner;
- (k) the limited partnership participates in an interest exchange under Part 11, Merger, Interest Exchange, Conversion, and Domestication, and as a result of the interest exchange, the person ceases to be a limited partner;
- (l) the limited partnership participates in a conversion under Part 11, Merger, Interest Exchange, Conversion, and Domestication;
- (m) the limited partnership participates in a domestication under Part 11, Merger, Interest Exchange, Conversion, and Domestication, and as a result of the domestication, the person ceases to be a limited partner; or
- (n) the limited partnership dissolves and completes winding up.

Enacted by Chapter 412, 2013 General Session

48-2e-602 Effect of dissociation as limited partner.

- (1) If a person is dissociated as a limited partner:
 - (a) subject to Section 48-2e-704, the person does not have further rights as a limited partner;
 - (b) the person's contractual obligation of good faith and fair dealing as a limited partner under Subsection 48-2e-305(1) ends with regard to matters arising and events occurring after the person's dissociation; and
 - (c) subject to Section 48-2e-704 and Part 11, Merger, Interest Exchange, Conversion, and Domestication, any transferable interest owned by the person in the person's capacity as a limited partner immediately before dissociation is owned by the person solely as a transferee.
- (2) A person's dissociation as a limited partner does not of itself discharge the person from any debt, obligation, or other liability to the limited partnership or the other partners which the person incurred while a limited partner.

Enacted by Chapter 412, 2013 General Session

48-2e-603 Dissociation as general partner.

A person is dissociated as a general partner when:

- (1) the limited partnership has notice of the person's express will to withdraw as a general partner, but, if the person specifies a withdrawal date later than the date the limited partnership had notice, on that later date;
- (2) an event stated in the partnership agreement as causing the person's dissociation as a general partner occurs;
- (3) the person is expelled as a general partner pursuant to the partnership agreement;
- (4) the person is expelled as a general partner by the unanimous vote or consent of the other partners if:
 - (a) it is unlawful to carry on the limited partnership's activities and affairs with the person as a general partner;

- (b) there has been a transfer of all of the person's transferable interest in the limited partnership, other than:
 - (i) a transfer for security purposes; or
 - (ii) a charging order in effect under Section 48-2e-703 which has not been foreclosed;
- (c) the person is a corporation, and:
 - (i) the limited partnership notifies the person that it will be expelled as a general partner because the person has filed a statement of dissolution or the equivalent, its charter has been revoked, or its right to conduct business has been suspended by the jurisdiction of its incorporation; and
 - (ii) not later than 90 days after the notification the statement of dissolution or the equivalent has not been revoked or its charter or right to conduct business has not been reinstated; or
- (d) the person is an unincorporated entity that has been dissolved and whose business is being wound up;
- (5) on application by the limited partnership or a partner in a direct action under Section 48-2e-1001, the person is expelled as a general partner by judicial order because the person:
 - (a) has engaged or is engaging in wrongful conduct that has affected adversely and materially, or will affect adversely and materially, the limited partnership's activities and affairs;
 - (b) has committed willfully or persistently, or is committing willfully or persistently, a material breach of the partnership agreement or a duty or obligation under Section 48-2e-409; or
 - (c) has engaged or is engaging in conduct relating to the limited partnership's activities and affairs which makes it not reasonably practicable to carry on the activities or affairs of the limited partnership with the person as a general partner;
- (6) in the case of a person who is an individual:
 - (a) the individual dies;
 - (b) a guardian or general conservator for the individual is appointed; or
 - (c) a court orders that the individual has otherwise become incapable of performing the individual's duties as a general partner under this chapter or the partnership agreement;
- (7) the person:
 - (a) becomes a debtor in bankruptcy;
 - (b) executes an assignment for the benefit of creditors; or
 - (c) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of the person or of all or substantially all of the person's property;
- (8) in the case of a person that is a testamentary or inter vivos trust or is acting as a general partner by virtue of being a trustee of such a trust, the trust's entire transferable interest in the limited partnership is distributed;
- (9) in the case of a person that is an estate or is acting as a general partner by virtue of being a personal representative of an estate, the estate's entire transferable interest in the limited partnership is distributed;
- (10) in the case of a person that is not an individual, corporation, unincorporated entity, trust, or estate, the existence of the person terminates;
- (11) the limited partnership participates in a merger under Part 11, Merger, Interest Exchange, Conversion, and Domestication, and:
 - (a) the limited partnership is not the surviving entity; or
 - (b) otherwise as a result of the merger, the person ceases to be a general partner;
- (12) the limited partnership participates in an interest exchange under Part 11, Merger, Interest Exchange, Conversion, and Domestication, and, as a result of the interest exchange, the person ceases to be a general partner;

- (13) the limited partnership participates in a conversion under Part 11, Merger, Interest Exchange, Conversion, and Domestication;
- (14) the limited partnership participates in a domestication under Part 11, Merger, Interest Exchange, Conversion, and Domestication, and, as a result of the domestication, the person ceases to be a general partner; or
- (15) the limited partnership dissolves and completes winding up.

Enacted by Chapter 412, 2013 General Session

48-2e-604 Power to dissociate as general partner -- Wrongful dissociation.

- (1) A person has the power to dissociate as a general partner at any time, rightfully or wrongfully, by withdrawing as a general partner by express will under Subsection 48-2e-603(1).
- (2) A person's dissociation as a general partner is wrongful only if the dissociation:
 - (a) is in breach of an express provision of the partnership agreement; or
 - (b) occurs before the completion of the winding up of the limited partnership, and:
 - (i) the person withdraws as a general partner by express will;
 - (ii) the person is expelled as a general partner by judicial order under Subsection 48-2e-603(5);
 - (iii) the person is dissociated as a general partner under Subsection 48-2e-603(7); or
 - (iv) in the case of a person that is not a trust other than a business trust, an estate, or an individual, the person is expelled or otherwise dissociated as a general partner because it willfully dissolved or terminated.
- (3) A person that wrongfully dissociates as a general partner is liable to the limited partnership and, subject to Section 48-2e-1001, to the other partners for damages caused by the dissociation. The liability is in addition to any debt, obligation, or other liability of the general partner to the limited partnership or the other partners.

Enacted by Chapter 412, 2013 General Session

48-2e-605 Effect of dissociation as general partner.

- (1) If a person is dissociated as a general partner:
 - (a) the person's right to participate as a general partner in the management and conduct of the limited partnership's activities and affairs terminates;
 - (b) the person's duties and obligations as a general partner under Section 48-2e-409 end with regard to matters arising and events occurring after the person's dissociation;
 - (c) the person may sign and deliver to the division for filing a statement of dissociation pertaining to the person and, at the request of the limited partnership, shall sign an amendment to the certificate of limited partnership which states that the person has dissociated as a general partner; and
 - (d) subject to Section 48-2e-704 and Part 11, Merger, Interest Exchange, Conversion, and Domestication, any transferable interest owned by the person immediately before dissociation in the person's capacity as a general partner is owned by the person solely as a transferee.
- (2) A person's dissociation as a general partner does not of itself discharge the person from any debt, obligation, or other liability to the limited partnership or the other partners which the person incurred while a general partner.

Enacted by Chapter 412, 2013 General Session

48-2e-606 Power to bind and liability of person dissociated as general partner.

- (1) After a person is dissociated as a general partner and before the limited partnership is merged out of existence, converted, or domesticated under Part 11, Merger, Interest Exchange, Conversion, and Domestication, or dissolved, the limited partnership is bound by an act of the person only if:
 - (a) the act would have bound the limited partnership under Section 48-2e-402 before the dissociation; and
 - (b) at the time the other party enters into the transaction:
 - (i) less than two years has passed since the dissociation; and
 - (ii) the other party does not know or have notice of the dissociation and reasonably believes that the person is a general partner.
- (2) If a limited partnership is bound under Subsection (1), the person dissociated as a general partner which caused the limited partnership to be bound is liable:
 - (a) to the limited partnership for any damage caused to the limited partnership arising from the obligation incurred under Subsection (1); and
 - (b) if a general partner or another person dissociated as a general partner is liable for the obligation, to the general partner or other person for any damage caused to the general partner or other person arising from the liability.

Enacted by Chapter 412, 2013 General Session

48-2e-607 Liability to other persons of person dissociated as general partner.

- (1) A person's dissociation as a general partner does not of itself discharge the person's liability as a general partner for a debt, obligation, or other liability of the limited partnership incurred before dissociation. Except as otherwise provided in Subsections (2) and (3), the person is not liable for a limited partnership obligation incurred after dissociation.
- (2) A person whose dissociation as a general partner resulted in a dissolution and winding up of the limited partnership's activities and affairs is liable to the same extent as a general partner under Section 48-2e-404 on an obligation incurred by the limited partnership under Section 48-2e-804.
- (3) A person that has dissociated as a general partner but whose dissociation did not result in a dissolution and winding up of the limited partnership's activities and affairs is liable on a transaction entered into by the limited partnership after the dissociation only if:
 - (a) a general partner would be liable on the transaction; and
 - (b) at the time the other party enters into the transaction:
 - (i) less than two years has passed since the dissociation; and
 - (ii) the other party does not have knowledge or notice of the dissociation and reasonably believes that the person is a general partner.
- (4) By agreement with a creditor of a limited partnership and the limited partnership, a person dissociated as a general partner may be released from liability for an obligation of the limited partnership.
- (5) A person dissociated as a general partner is released from liability for an obligation of the limited partnership if the limited partnership's creditor, with knowledge or notice of the person's dissociation as a general partner but without the person's consent, agrees to a material alteration in the nature or time of payment of the obligation.

Enacted by Chapter 412, 2013 General Session